



Pharmaceutical Products

Why Trade Matters

INDUSTRY SECTOR REPORT

General information on exports. The United States exported almost \$13 billion in pharmaceutical products in 2000, a 77 percent increase from 1996 levels.

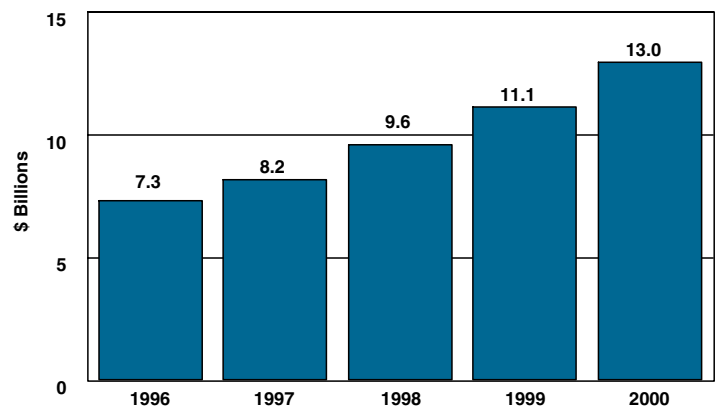
Market development. The world pharmaceutical market grew 11 percent in 1999, with sales reaching approximately \$337

billion. Annual growth is expected to be about 8 percent over the next five years. Latin America, a region where U.S. companies have been major suppliers, accounts for about 8 percent of world pharmaceutical sales.

Tariffs. Additional trade negotiations could further the goal of pharmaceutical tariff elimination worldwide. Two-fifths of U.S. pharmaceutical sales are made abroad, but these products still face tariffs as high as 17 percent in some South American countries.

Nontariff barriers. Lack of adequate and effective protection of intellectual property rights for pharmaceutical products is a major concern for U.S. industry. Additional barriers include restrictive registration requirements and such discriminatory government practices as price, profit, and volume controls. Nontariff barriers are estimated to cost U.S. pharmaceutical companies as much as \$9 billion annually.

U.S. Exports of Pharmaceutical Products, 1996–2000





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Small and medium-sized enterprises. There are many pharmaceutical small and medium-sized enterprises (SMEs), particularly in the generic and over-the-counter drug industries. SMEs accounted for more than 80 percent of the sector's exporters in 1998.

Research and development. The U.S. research-based pharmaceutical industry invested more than \$26 billion in R&D during 2000. The U.S. pharmaceutical industry is the most innovative in the world, developing 45 percent of all major global drugs.

Health benefits. Liberalized trade in pharmaceutical products leads to lower costs for patients and improved access to innovative new products.

Employment opportunities. The U.S. pharmaceutical industry employs approximately 326,000 workers.

Key producing states. Indiana, Iowa, New Jersey, New York, Pennsylvania

The sector. The pharmaceutical sector comprises four primary components: over-the-counter drugs, prescription drugs, diagnostics, and biological products.

BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ As a result of World Trade Organization (WTO) agreements on pharmaceutical tariffs in the Uruguay Round and thereafter, nearly 7,000 pharmaceutical items in participating countries are duty-free. The WTO Agreement on Trade-Related Intellectual Property Rights has also yielded enormous benefits for the pharmaceutical industry.